

News Release

Immediate release

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MINISTER OF FINANCE ANNOUNCES DECISION ON BANK MERGER PROPOSALS

Finance Minister Paul Martin today announced that the bank mergers proposed by the Royal Bank of Canada and the Bank of Montreal, and by the Toronto-Dominion Bank and the Canadian Imperial Bank of Commerce will not be allowed.

The Minister based his decision, in part, on information the government received from the Competition Bureau and the Office of the Superintendent of Financial Institutions (OSFI), as well as the MacKay Task Force report recommendations and input from parliamentarians and public consultations.

The Minister said the mergers were not in the best interests of Canadians and will not be allowed to proceed because they would lead to:

- an unacceptable concentration of economic power in the hands of fewer, very large banks;
- a significant reduction of competition; and
- reduced policy flexibility for the government to address potential future prudential concerns.

"This is a decision," the Minister said, "that reflects the government's commitment to ensuring strong competition in the financial services sector.

"Quite simply, allowing the mergers would further concentrate a very high level of economic power in the hands of an even smaller number of very large institutions.

"Looking forward, we believe that our immediate priority must now be to focus on establishing an appropriate policy framework for the financial sector for the 21st century.

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“Whereas the merger proponents wanted the mergers to be allowed in order to change the status quo, we believe the status quo must be changed before any merger can be considered.

“The government will not consider any merger among major banks until the new policy framework is in place.

“But even then, new proposals will first have to demonstrate, in the light of the circumstances of the day, that they do not unduly concentrate economic power, significantly reduce competition or restrict our flexibility to address prudential concerns,” he said.

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